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Congress of the United States
House of Representatives
Washington, DC 20515-4317

December 8, 2017

The Honorable Mitch McConnell
317 Russell Senate Office Building
U.S. Senate
Washington, DC 20510

The Honorable Paul D. Ryan
H-232 The Capitol
U.S. House of Representatives
Washington, DC 20515

The Honorable Orrin Hatch
104 Hart Senate Office Building
U.S. Senate
Washington, DC 20510

The Honorable Kevin Brady
1011 Longworth House Office Building
U.S. House of Representatives
Washington, DC 20510

Dear Leader McConnell, Speaker Ryan, Chairman Hatch, and Chairman Brady:

I write to respectfully request the removal of the repeal of the income exclusion for graduate tuition waivers that was included in the House-passed H.R. 1, *the Tax Cuts and Jobs Act* (TCJA). While the proposals established in both versions of the TCJA are overwhelmingly positive, there remains one important provision that should be addressed – preserving the way that waived and discounted tuition for graduate students is treated for income tax purposes.

At issue is the tax treatment of reduced tuition for graduate students pursuant to Internal Revenue Code 26 USC Section 117(d). Under current law, the deemed income from reduced tuition for this population is excluded from income for tax purposes. In the House version of TCJA, section 1204 eliminates the current “income exclusion” treatment of waived or reduced tuition, causing the “deemed income” from waived or reduced tuition to be taxable.

This proposed income treatment is profoundly negative on a population whose income typically falls into the “working class income” levels while they are pursuing their graduate education. According to the Bureau of Labor Statics, the U.S. has 135,130 graduate teaching assistants making an average annual wage of \$35,810, which certainly places them in this Lower/Middle Class category. This change to their incentive will not only impact their immediate future, but could be detrimental to recruitment and retainment for research universities as they compete globally for the best and brightest and as they pursue important research initiatives for the 21st century.

I think we can all agree that the positive impact of graduate education is important to overall American economic activity and job creation. In fact, the majority of graduate students receiving tuition waivers are studying science, technology, engineering, and mathematics. Many of these bright researchers will provide the solutions and technologies that will profoundly impact the fields of health care, information technologies, space exploration, energy security, and defending the homeland. Most, if not all, of the students that are beneficiaries of this exclusion will go on to shape and power the American economy that makes our nation so strong.

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At this time, the Senate's version of TCJA continues to allow preferable provisions for the treatment of graduate student tuition. Robust graduate education programs are economic engines for America, and as tax reform continues to move through Congress, I hope to help protect tax relief for graduate students in the final House-Senate conference tax bill.

Thank you for your attention to this matter. Should you have any questions, please do not hesitate to contact Jordan Ballard in my office at Jordan.Ballard@mail.house.gov or 202.225.6105.

With great respect,



Bill Flores
Member of Congress

c: Senator John Cornyn
 Senator Mike Enzi
 Senator John Thune
 Senator Lisa Murkowski
 Senator Rob Portman
 Senator Tim Scott
 Senator Pat Toomey
 Representative Devin Nunes
 Representative Peter Roskam
 Representative Diane Black
 Representative Kristi Noem
 Representative Rob Bishop
 Representative Don Young
 Representative Fred Upton
 Representative John Shimkus
 Representative Nancy Pelosi
 Representative Richard Neal
 Representative Sander Levin
 Representative Lloyd Doggett
 Representative Raúl Grijalva
 Representative Kathy Castor